

FINANCIAL STATEMENT

**VILLAGE OF COLUMBIAVILLE
LAPEER COUNTY, MICHIGAN**

February 29, 2004

VILLAGE COUNCIL

MARK HERSHBERGER - PRESIDENT

JOANNE St. PIERRE

MARVIN ARMS

BARB HARRIS

CLIFF GILBERT

KIM GOLDORF

TINA WATSON

OTHER OFFICERS

CLERK - DENISE DUPACK

TREASURER - BARBARA LUKE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF COLUMBIAVILLE	County LAPEER
Audit Date 2/29/04	Opinion Date 8/25/04	Date Accountant Report Submitted to State: 8/31/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓


Certified Public Accountant (Firm Name) ROBSON & McCALLUM, CPA			
Street Address P.O. BOX 764		City LAPEER	State MI
Accountant Signature 		ZIP 48446	Date 8/31/04

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Columbiaville
4605 Pine Street
Columbiaville, Michigan 48421


We have audited the accompanying general purpose financial statements of the Village of Columbiaville, Lapeer County, Michigan, and the combining individual fund and account group financial statements of the Village as of and for the year ended February 29, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Columbiaville at February 29, 2004 and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and supplemental data listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Columbiaville, Lapeer County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The February 28, 2003, financial statements have been compiled by us. We did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them.


Robson and McCallum
August 25, 2004

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
VILLAGE OF COLUMBIANVILLE - LAPEER COUNTY, MICHIGAN
February 29, 2004

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE TRUST AND AGENCY	ACCOUNT GROUPS		TOTAL		TOTAL (Memorandum Only) REPORTING ENTITY
	GENERAL	SPECIAL REVENUE		ENTERPRISE	INTERNAL SERVICE		GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	PRIMARY GOVERNMENT	COMPONENT UNIT	
ASSETS											
Cash and Cash Equivalents	\$ 83,456	\$ 90,742	\$ 113,265	\$ 30,929	\$ 8,843	\$ -0-	\$ -0-	\$ 327,235	\$ 131,411	\$ 458,646	
Investments			88,283		11,756			100,039		100,039	
Receivables Net:											
Taxes	583							583	41,018	41,601	
Accounts	16,549	12,526	26,944					56,019		56,019	
Due From Other Funds	6,112	44,875	49,271	10,657				110,915	68,897	179,812	
Inventory			1,000					1,000		1,000	
Restricted Assets		32,141	174,176					206,317		206,317	
Land			72,919					72,919		72,919	
Buildings			69,416					80,344		80,344	
Improvements Other Than Buildings			2,494,714	10,928				2,494,714		2,494,714	
Machinery and Equipment			69,111	304,537				373,648		373,648	
Less: Accumulated Depreciation			(1,300,823)	(206,658)				(1,507,481)		(1,507,481)	
Fixed Assets						412,940	85,000	412,940		412,940	
Amount To Be Provided For Long-Term Debt								85,000		85,000	
Total Assets	\$ 106,700	\$ 180,284	\$ 1,858,276	\$ 150,393	\$ 20,599	\$ 412,940	\$ 85,000	\$ 2,814,192	\$ 241,326	\$ 3,055,518	
LIABILITIES											
Accounts Payable	\$ -0-	\$ -0-	\$ 37,669	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 37,669	\$ -0-	\$ 37,669	
Due To Other Funds	96,939	16,833	57,312		8,728			179,812		179,812	
Current Portion Long-Term Debt			26,000	22,017			15,000	63,017		63,017	
Long-Term Debt -Noncurrent			548,000	5,108			70,000	623,108		623,108	
Total Liabilities	\$ 96,939	\$ 16,833	\$ 668,981	\$ 27,125	\$ 8,728	\$ -0-	\$ 85,000	\$ 903,606	\$ -0-	\$ 903,606	
FUND EQUITY											
Contributed Capital											
Investment In General Fixed Assets											
Retained Earnings:											
Unreserved/Undesignated			361,793	123,268				485,061		485,061	
Reserved			175,176					175,176		175,176	
Fund Balance:											
Unreserved/Undesignated	9,761	131,310			40			141,111	241,326	382,437	
Reserved		32,141			11,831			43,972		43,972	
Total Fund Equity	\$ 9,761	\$ 163,451	\$ 1,189,295	\$ 123,268	\$ 11,871	\$ 412,940	\$ -0-	\$ 1,910,586	\$ 241,326	\$ 2,151,912	
Total Liabilities and Fund Equity	\$ 106,700	\$ 180,284	\$ 1,858,276	\$ 150,393	\$ 20,599	\$ 412,940	\$ 85,000	\$ 2,814,192	\$ 241,326	\$ 3,055,518	

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND DISCREETLY PRESENTED COMPONENT UNITS
VILLAGE OF COLUMBIANVILLE - LAPEER COUNTY, MICHIGAN
Year Ended February 29, 2004

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPES	TOTAL (Memorandum Only)		REPORTING ENTITY
	GENERAL	SPECIAL REVENUE	CEMETERY EXPENDABLE TRUST	PRIMARY GOVERNMENT	COMPONENT UNIT	
REVENUES						
Taxes	\$ 68,166	\$ 26,619	\$ -0-	\$ 94,785	\$ 99,915	\$ 194,700
State Shared Revenue	99,635	68,079		167,714		167,714
Charges for Services	12,057			12,057		12,057
Sales and Rentals	3,010			3,010		3,010
Interest Earnings	815	963	586	2,364	1,129	3,493
Other Revenues	7,230			7,230	29,456	36,686
Total Revenues	\$ 190,913	\$ 95,661	\$ 586	\$ 287,160	\$ 130,500	\$ 417,660
EXPENDITURES						
Current:						
Legislative	\$ 6,019	\$ 2,637	\$ -0-	\$ 8,656	\$ 3,697	\$ 12,353
General Government (Schedule - Page 27)	51,139			51,139		51,139
Cemetery	22,281			22,281		22,281
Public Safety	46,019			46,019		46,019
Public Works	49,049	76,303		125,352	8,770	134,122
Parks and Recreation	995			995	24,366	25,361
Insurance	21,538			21,538	46,047	67,585
Debt Service:						
Principal		15,000		15,000		15,000
Interest		6,337		6,337		6,337
Total Expenditures	\$ 197,040	\$ 100,277	\$ -0-	\$ 297,317	\$ 82,880	\$ 380,197
Excess Revenues Over (Under) Expenditures	\$ (6,127)	\$ (4,616)	\$ 586	\$ (10,157)	\$ 47,620	\$ 37,463
OTHER FINANCING SOURCES (USES)						
Transfers In	\$ 586	\$ -0-	\$ -0-	\$ 586	\$ -0-	\$ 586
Transfers (Out)			(586)	(586)		(586)
Total Other Financing Sources (Uses)	\$ 586	\$ -0-	\$ (586)	\$ -0-	\$ -0-	\$ -0-
Excess Revenues and Other Sources Over (Under) Expenditures and (Uses)	\$ (5,541)	\$ (4,616)	\$ -0-	\$ (10,157)	\$ 47,620	\$ 37,463
Fund Balance - March 1, 2003	15,302	168,067	40	183,409	193,706	377,115
Fund Balance - February 29, 2004	\$ 9,761	\$ 163,451	\$ 40	\$ 173,252	\$ 241,326	\$ 414,578

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE - PRIMARY GOVERNMENT
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
Year Ended February 29, 2004**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes	\$ 76,400	\$ 68,166	\$ (8,234)	\$ 32,000	\$ 26,619	\$ (5,381)
State Shared Revenue	104,000	99,635	(4,365)	65,000	68,079	3,079
Charges For Services	13,300	12,057	(1,243)			
Sales and Rentals	9,900	3,010	(6,890)			
Interest Earnings	500	815	315	1,300	963	(337)
Other Revenues	10,200	7,230	(2,970)	500		(500)
Total Revenues	<u>\$ 214,300</u>	<u>\$ 190,913</u>	<u>\$ (23,387)</u>	<u>\$ 98,800</u>	<u>\$ 95,661</u>	<u>\$ (3,139)</u>
EXPENDITURES						
Current:						
Legislative	\$ 8,050	\$ 6,019	\$ 2,031	\$ 5,950	\$ 2,637	\$ 3,313
General Government (Schedule-Pg. 27)	55,900	51,139	4,761			
Cemetery	25,050	22,281	2,769			
Public Safety	51,700	46,019	5,681			
Public Works	47,500	49,049	(1,549)	61,300	76,303	(15,003)
Parks and Recreation	1,000	995	5			
Insurance	25,600	21,538	4,062			
Debt Service:						
Principal						
Interest						
Total Expenditures	<u>\$ 214,800</u>	<u>\$ 197,040</u>	<u>\$ 17,760</u>	<u>\$ 98,800</u>	<u>\$ 100,277</u>	<u>\$ (1,477)</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (500)</u>	<u>\$ (6,127)</u>	<u>\$ (5,627)</u>	<u>\$ -0-</u>	<u>\$ (4,616)</u>	<u>\$ (4,616)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	\$ 500	\$ 586	\$ 86	\$ -0-	\$ -0-	\$ -0-
Transfers Out						
Total Other Financing Sources (Uses)	<u>\$ 500</u>	<u>\$ 586</u>	<u>\$ 86</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -0-</u>	<u>\$ (5,541)</u>	<u>\$ (5,541)</u>	<u>\$ -0-</u>	<u>\$ (4,616)</u>	<u>\$ (4,616)</u>
FUND BALANCE-March 1, 2003	<u>15,302</u>	<u>15,302</u>	<u>-0-</u>	<u>168,067</u>	<u>168,067</u>	<u>-0-</u>
FUND BALANCE-February 29, 2004	<u>\$ 15,302</u>	<u>\$ 9,761</u>	<u>\$ (5,541)</u>	<u>\$ 168,067</u>	<u>\$ 163,451</u>	<u>\$ (4,616)</u>

See Auditor's Report and Notes to the Financial Statements.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED
EARNINGS - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS**
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
Year Ended February 29, 2004

	<u>PROPRIETARY FUND TYPES</u>		<u>FIDUCIARY FUND TYPES</u>	<u>TOTAL</u>
	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>NONEXPENDABLE TRUST</u>	<u>(Memorandum Only)</u>
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 277,125	\$ 55,213	\$ -0-	\$ 332,338
Total Operating Revenues	\$ 277,125	\$ 55,213	\$ -0-	\$ 332,338
<u>OPERATING EXPENSES</u>				
Wages and Related Expenses	\$ 101,624	\$ 11,177	\$ -0-	\$ 112,801
Repairs and Maintenance	33,230	16,350		49,580
Depreciation Expense	51,326	19,708		71,034
Utilities	9,382			9,382
Equipment Rental	19,967			19,967
Contractual Services	35,924	2,573		38,497
Supplies and Miscellaneous	17,619	6,249		23,868
Total Operating Expenses	\$ 269,072	\$ 56,057	\$ -0-	\$ 325,129
Operating Income	\$ 8,053	\$ (844)	\$ -0-	\$ 7,209
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest and Penalties	\$ 15,167	\$ 765	\$ -0-	\$ 15,932
Interest Expense	(38,870)	(1,795)		(40,665)
Total Nonoperating Revenues (Expenses)	\$ (23,703)	\$ (1,030)	\$ -0-	\$ (24,733)
Net Income (Loss)	\$ (15,650)	\$ (1,874)	\$ -0-	\$ (17,524)
<u>RETAINED EARNINGS</u> March 1, 2003	552,619	125,142	11,831	689,592
<u>RETAINED EARNINGS</u> February 29, 2004	\$ 536,969	\$ 123,268	\$ 11,831	\$ 672,068

See Auditor's Report and Notes to the Financial Statements.

**COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
Year Ended February 29, 2004**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>PROPRIETARY FUND TYPES</u>		<u>FIDUCIARY FUND TYPES</u>	<u>TOTAL</u>
	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>NONEXPENDABLE TRUST</u>	<u>(Memorandum Only)</u>
<u>NET CASH FLOW FROM OPERATING ACTIVITIES</u>				
Net Income (Loss)	\$ 8,053	\$ (844)	\$ -0-	\$ 7,209
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Depreciation	51,326	19,708		71,034
Decrease (Increase) in Accounts Receivable	(2,688)			(2,688)
Decrease (Increase) in Restricted Assets	(3,162)			(3,162)
Increase (Decrease) in Accounts Payable	<u>37,669</u>			<u>37,669</u>
Net Cash Flow Provided (Used) by Operating Activities	<u>\$ 91,198</u>	<u>\$ 18,864</u>	<u>\$ -0-</u>	<u>\$ 110,062</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Interest Expense	\$ (38,870)	\$ (1,795)	\$ -0-	\$ (40,665)
Retirement of Debt Principal	<u>(24,000)</u>	<u>(27,076)</u>		<u>(51,076)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (62,870)</u>	<u>\$ (28,871)</u>	<u>\$ -0-</u>	<u>\$ (91,741)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
(Increase) Decrease in Investments	\$ (4,631)	\$ -0-	\$ -0-	\$ (4,631)
Investment Income	<u>15,167</u>	<u>765</u>		<u>15,932</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 10,536</u>	<u>\$ 765</u>	<u>\$ -0-</u>	<u>\$ 11,301</u>
Increase (Decrease) in Cash	\$ 38,864	\$ (9,242)	\$ -0-	\$ 29,622
<u>CASH AND CASH EQUIVALENTS - March 1, 2003</u>	<u>74,401</u>	<u>40,171</u>	<u>11,831</u>	<u>126,403</u>
<u>CASH AND CASH EQUIVALENTS - February 29, 2004</u>	<u>\$ 113,265</u>	<u>\$ 30,929</u>	<u>\$ 11,831</u>	<u>\$ 156,025</u>

See Auditor's Report and Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
February 29, 2004

The Village of Columbiaville was incorporated March 4, 1879, under the provisions of Local Act 296 and under Act 3 P.A. of 1895, as amended. The Village of Columbiaville provides the following services: public safety, highways and streets, sanitation, parks and recreation, public improvements, planning and zoning and general administrative services.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY:

In accordance with the Governmental Accounting Standards Board Statement #14 "Defining the Governmental Reporting Entity", the financial statements of the Village contain all the Village funds, account groups and authorities that are controlled by or are dependent on the Village's executive or legislative branches. Control by or dependence on the Village was determined on the basis of appointment or governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Village, obligations of the Village to finance any deficits that may occur, receipt of significant subsidies from the Village, disposition of surplus funds and scope of public service.

Based on the foregoing criteria, the following component unit was discretely presented with the Village of Columbiaville's annual report for the reasons stated:

DOWNTOWN DEVELOPMENT AUTHORITY

- a. The DDA is a separate legal entity
- b. Village appoints governing board
- c. Village approves budget of authority
- d. All assets remaining upon termination vest to the Village

BASIS OF PRESENTATION FUND ACCOUNTING:

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Village are recorded in separate funds and account groups, categorized as follows:

GOVERNMENTAL FUNDS:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments for major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Funds -

Enterprise Funds - Enterprise Funds are used to account for operations (A) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (B) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village or to other governments, on a cost-reimbursement basis. The only Internal Service Fund is the Equipment Fund.

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
February 29, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

GOVERNMENTAL FUNDS: (continued)

Fiduciary Funds - Fiduciary Funds include expendable trust and nonexpendable trust and agency funds. The measurement focus of the expendable trust fund is the same as for governmental funds. The measurement focus of the nonexpendable trust is based upon determination of net income, financial position and changes in financial position. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Agency funds are purely custodial (assets equal liabilities) and thus, do not involve measurement of results of operations and are used to account for assets held by the Village as an agent for individuals, private organizations, other governments and/or other funds.

Account Groups: - The two account groups are not "funds". They are concerned only with the measurement of financial position, not results of operations.

General Fixed Asset Group of Accounts - used to account for fixed assets used in governmental fund type operations. Road and drainage systems are not capitalized. No depreciation is recorded on general fixed assets.

General Long-Term Debt Group of Accounts - used to account for long-term liabilities expected to be financed from governmental funds.

CASH, CASH EQUIVALENTS, AND INVESTMENTS:

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired, are considered to be cash equivalents.

BASIS OF ACCOUNTING:

Basis of Accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. All governmental and expendable trust funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable; expenditures are recognized when they become a liability. The nonexpendable trust is accounted for using the full accrual basis of accounting. The major exception to this general rule is principal and interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

COMPONENTS OF RESTRICTED ASSETS:

Water Fund -

The agreement between Farmers Home Administration, a Federal Government Agency, and the Village requires that the Village establish funds for Bond and Interest Redemption, Bond Reserve, System Repair and Reconstruction, and System Improvement. Those funds consist of the following cash and investments:

Cash	\$ 5,300
Treasury Notes	<u>168,876</u>
Total Funds	<u>\$ 174,176</u>

The amount of Retained Earnings reserved for the Bond Agreement requirements are:

Bond Retirement	\$ 85,176
Bond Reserve	69,000
System Repair and Reconstruction	10,000
System Improvement	<u>10,000</u>
Retained Earning Reserved	<u>\$ 174,176</u>

At February 29, 2004, the fund balances are sufficient to satisfy the Bond Agreement requirements.

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
February 29, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

COMPONENTS OF RESTRICTED ASSETS: (Continued)

Municipal Street Repair -

As part of the Bond Agreement for the Class A Road Project, the Village was required to reserve no less than \$25,000 for the payment of the Michigan Transportation Bonds. That amount has been invested into a savings account and the corresponding amount has been reserved in Fund Balance.

PROPERTY TAXES:

Property taxes are levied on July 1st on the State equalized value of property located in the Village as of the preceding December 31st. Taxable values are based on assessed values which are established annually and equalized by the State at an estimated 50% of current market value.

The 2002 state taxable valuation of the Village totaled \$4,188,518, on which ad valorem taxes levied consisted of 10.0441 mills for operating purposes and 4.0175 mills for street repairs.

The Village bills and collects its own property taxes. Village property tax revenues are recognized as revenues in the fiscal year levied.

Property taxes levied on July 1st are payable without penalty through August 31st. As of September 1st, unpaid taxes attach as an enforceable lien on the property.

Delinquent taxes and fees are purchased by the County of Lapeer.

RECEIVABLES:

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowances for uncollectibles are as follows:

Sewer	\$ 1,200
Water	\$ 100

INVENTORY:

Inventory in the Water Fund consists of expendable supplies held for consumption. The amount of inventory shown on the balance sheet is an allowance for inventory of expendable supplies that were on hand at the balance sheet date. An actual inventory was not taken.

PROPERTY AND EQUIPMENT:

All fixed assets are valued at historical cost or estimated historical costs if actual figures are not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

COMPENSATED ABSENCES:

The Village provides paid vacation, sick and personal days for all full-time employees based on hours worked and years of service. As the amount of compensated absences could not be reasonably estimated, no accrual was made in the financial statement.

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
February 29, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

BUDGETARY DATA:

The following procedures were completed in establishing the budgetary data reflected in the financial statements:

The modified accrual based budget was legally enacted on a departmental (activity) basis through the passage of a resolution.

The budget was used by the Village Council as a management tool during the year for all budgetary funds. Any revisions that altered the total expenditures of any department were approved by the Village Council.

Budget appropriations lapse at year-end except for approved contracts and certain federal grants which are appropriated on a contract (grant) or entitlement length basis.

Excess of Expenditures Over Appropriations in Budgetary Funds -

P.A. 21 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted by activity within a fund.

During the year ended February 29, 2004 the following funds incurred expenditures in excess of the amount appropriated:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Major Street - Construction	\$ 6,000	\$ 29,981	\$ 23,981
Local Street - Winter Maintenance	6,800	13,115	6,315
General - Public Works	47,500	49,049	1,549

RISK FINANCING:

The Village is exposed to various risks of loss related to theft, damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

COMPARATIVE DATA:

Comparative total data for the prior year has been presented in the combined financial statements in order to provide an understanding of changes in the Village financial position and operations.

TOTAL COLUMN ON COMBINED STATEMENTS - OVERVIEW:

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns present neither financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
February 29, 2004

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS:

CASH AND INVESTMENTS:

Deposits are carried at cost. Deposits are in 5 financial institutions in the name of the Village Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Local Unit's deposits are in accordance with statutory authority. For the fiscal year ended February 29, 2004, the Village invested only in U.S. Treasury bills.

At February 29, 2004, the balance sheet carrying amount of deposits was \$596,126. The bank balance as of February 29, 2004 was \$580,320, of which \$292,712 was insured by the Federal Deposit Insurance Corporation and \$12,267 was insured by the National Credit Union Share Insurance Fund.

INVESTMENTS:

In accordance with GASB Statement 3, investments are classified into three categories of credit risk as follows:

- Category 1: Insured or collateralized with securities held by the Local Unit or its agent in the Local Unit's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Local Unit's name.
- Category 3: Uncollateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Local Unit's name).

Investments are stated at cost. Treasury notes are held by the Village's paying agent in the Village's name.

<u>DESCRIPTION</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>	<u>MARKET VALUE</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Treasury Bills	\$168,876	\$ -0-	\$ -0-	\$168,876	\$168,876

The carrying amount of Cash, Cash Equivalents, and Investments on the combined balance sheet consists of the following:

	<u>CASH AND CASH EQUIVALENTS</u>	<u>INVESTMENTS</u>	<u>RESTRICTED ASSETS</u>	<u>TOTAL</u>
Bank Deposits (Checking, Savings, and Time Certificate)	\$ 458,646	\$ 100,039	\$ 37,441	\$ 596,126
Treasury Bills			168,876	\$ 168,876
Total Reported on Balance Sheet	<u>\$ 458,646</u>	<u>\$ 100,039</u>	<u>\$ 206,317</u>	

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
February 29, 2004

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS: (Continued)

FIXED ASSETS:

All Proprietary Funds present assets and liabilities segregated as current or noncurrent. Their reported fund equity is divided into contributed capital and retained earnings.

Depreciation is recorded as an expense in all Proprietary and Internal Service Funds. Accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Water System	40 Years
Sewer System	100 Years
Vehicles	5-8 Years
Machinery and Equipment	5 -20 Years

Changes in General Fixed Assets:

	BALANCE <u>03/01/03</u>	ADDITIONS	DEDUCTIONS	BALANCE <u>02/28/04</u>
Land	\$ 115,847	\$ -0-	\$ -0-	\$ 115,847
Buildings	131,380			131,380
Improvements	31,691			31,691
Equipment	<u>134,022</u>			<u>134,022</u>
Total	<u>\$ 412,940</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 412,940</u>

INDIVIDUAL FUND INTERFUND RECEIVABLE/PAYABLE:

	<u>RECEIVABLES</u>	<u>PAYABLES</u>
Downtown Development Authority	68,897	
General		52,064
Municipal Street Repair		<u>16,833</u>
Subtotal	<u>68,897</u>	<u>68,897</u>
Water Fund	46,118	
Sewer		43,366
Trust and Agency		2,616
Disposal		<u>136</u>
Subtotal	<u>46,118</u>	<u>46,118</u>
General	5,716	
Trust and Agency		<u>5,716</u>
Subtotal	<u>5,716</u>	<u>5,716</u>
Municipal Street Repair	44,875	
General		<u>44,875</u>
Subtotal	<u>44,875</u>	<u>44,875</u>
Disposal	3,153	
Sewer		<u>3,153</u>
Subtotal	<u>3,153</u>	<u>3,153</u>
General	396	
Perpetual Care		<u>396</u>
Subtotal	<u>396</u>	<u>396</u>
Equipment	10,657	
Sewer		<u>10,657</u>
Subtotal	<u>10,657</u>	<u>10,657</u>
Grand Total	<u>\$ 179,812</u>	<u>\$ 179,812</u>

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
February 29, 2004

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS: (Continued)

LONG-TERM LIABILITIES:

Long-Term Debt:

	<u>NUMBER OF ISSUES</u>	<u>INTEREST RATES</u>	<u>DUE DATE</u>	<u>OUTSTANDING 2/29/04</u>
Water System				
Bond (FMHA)	1	6.5	2000 thru 2018	\$ 574,000
Transportation Bonds	15	5.7 to 6.5	2000 thru 2009	\$ 85,000
Equipment Note - Truck	1	3.6	2002 thru 2005	\$ 11,850
Equipment Note - Tractor	1	3.25	2002 thru 2005	\$ 15,275

Debt Service Requirements:

The annual principal and interest requirements for the years ending February 29, 20054 through 20098 for all debts outstanding as of February 29, 2004 are as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Water	\$ 63,310	\$ 63,620	\$ 63,800	\$ 64,850	\$ 65,706
Transportation Bonds	20,390	19,460	18,530	22,600	21,300
Equipment Note - Truck	12,277	-0-	-0-	-0-	-0-
Equipment Note - Tractor	10,663	5,273	-0-	-0-	-0-

Changes In Long-Term Debt:

	<u>BALANCE 3/01/03</u>	<u>DEBT RETIRED</u>	<u>DEBT ACQUIRED</u>	<u>BALANCE 2/29/04</u>
Equipment Note Truck	\$ 23,701	\$ 11,851	\$ -0-	\$ 11,850
Equipment Note - Tractor	30,500	15,225		15,275
Transportation Bonds	100,000	15,000		85,000
Water Bonds	<u>598,000</u>	<u>24,000</u>		<u>574,000</u>
Total	<u>\$ 752,201</u>	<u>\$ 66,076</u>	<u>\$ -0-</u>	<u>\$ 686,125</u>

The water bond is a single, fully registered non-convertible bond in the principal sum of \$620,000 issued in full compliance with the constitution and the statutes of the State of Michigan, including specifically Public Act 94, of 1933, as amended, for the purpose of acquiring and constructing a new water system. Advances on the total principal amount of \$764,000 were drawn out on an as needed basis. The bond is a 30 year bond with the final payment due February 1, 2018. All reserves required by Farmer's Home Administration have been met or surpassed by the Village Council.

The equipment notes are secured by a 2002 Chevrolet Silverado truck and a 1999 Ford New Holland tractor. The loans call for semi-annual principle and interest payments. The principle payments are equal to one sixth of the original loan balance.

INTEREST EXPENSE:

Total interest expense paid by the Village as of February 29, 2004 was \$47,002.

NOTES TO THE FINANCIAL STATEMENTS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
February 29, 2004

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS: (Continued)

PENSION PLAN:

The Village Pension Plan is a defined benefit plan that is administered by the Municipal Employee's Retirement System. The participants can contribute up to 5%, as calculated by the State of Michigan, of their annual gross wages (after tax), the Village pays the Annual Contributions Requirement. Employee contributions are vested immediately. Village contributions vest after 10 years, payable at age 60. The cost to the Village for the February 29, 2004 was \$1,144. The Plan is a defined benefit plan with contributions calculated by the State of Michigan. As of the statement date, no actuarial information has been provided to the Village by the Municipal Employee's Retirement System.

COMMITMENTS AND CONTINGENCIES:

During the fiscal year the Village of Columbiaville was awarded three grants:

SEWER EXPANSION - The total cost of this project is estimated to be \$2,209,000. \$1,137,000 of the cost is to be paid through a loan from United States Department of Agriculture Rural Development. The balance will be paid with grant money from United States Department of Agriculture Rural Development. No monies were received during the year.

COMMUNITY BLOCK GRANT - This grant is from Michigan Economic Development Corp. for storm sewer and water line expansion in the downtown area. The grant amount was \$160,978. No monies were received during the year.

STREET SCAPE IMPROVEMENTS - An \$81,507 grant was awarded from the Michigan Department of Transportation for improvements to the downtown area. As of February 29, 2004, there has been no activity on this project.

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
February 29, 2004

	<u>DISASTER</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>MUNICIPAL STREET REPAIR</u>	<u>TOTAL</u>
<u>ASSETS</u>					
<u>CURRENT ASSETS</u>					
Cash and Cash Equivalents	\$ 250	\$ 48,968	\$ 12,065	\$ 29,459	\$ 90,742
Receivables		9,435	3,091		12,526
Due from Other Funds				44,875	44,875
Total Current Assets	\$ 250	\$ 58,403	\$ 15,156	\$ 74,334	\$ 148,143
<u>RESTRICTED ASSETS</u>					
Cash-Final Payment	\$ -0-	\$ -0-	\$ -0-	\$ 32,141	\$ 32,141
Total Assets	<u>\$ 250</u>	<u>\$ 58,403</u>	<u>\$ 15,156</u>	<u>\$ 106,475</u>	<u>\$ 180,284</u>
<u>LIABILITIES</u>					
Accrued Expenses	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Due to Other Funds				16,833	16,833
Total Liabilities	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 16,833</u>	<u>\$ 16,833</u>
<u>FUND EQUITY</u>					
Fund Balance:					
Unreserved/Undesignated	\$ 250	\$ 58,403	\$ 15,156	\$ 57,501	\$ 131,310
Reserved				32,141	32,141
Total Fund Equity	<u>\$ 250</u>	<u>\$ 58,403</u>	<u>\$ 15,156</u>	<u>\$ 89,642</u>	<u>\$ 163,451</u>
Total Liabilities and Fund Equity	<u>\$ 250</u>	<u>\$ 58,403</u>	<u>\$ 15,156</u>	<u>\$ 106,475</u>	<u>\$ 180,284</u>

See Auditor's Report and Notes to the Financial Statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - ALL SPECIAL REVENUE FUNDS
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
Year Ended February 29, 2004

	<u>DISASTER</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>MUNICIPAL STREET REPAIR</u>	<u>TOTAL</u>
<u>REVENUES</u>					
Taxes	\$ -0-	\$ -0-	\$ -0-	\$ 26,619	\$ 26,619
State Shared Revenue		51,139	16,940		68,079
Interest Earnings		399	131	433	963
Total Revenues	\$ -0-	\$ 51,538	\$ 17,071	\$ 27,052	\$ 95,661
<u>EXPENDITURES</u>					
Current:					
Administrative	\$ -0-	\$ 1,494	\$ 287	\$ 856	\$ 2,637
Highways and Streets		59,976	16,327		76,303
Debt Service:					
Principal				15,000	15,000
Interest				6,337	6,337
Total Expenditures	\$ -0-	\$ 61,470	\$ 16,614	\$ 22,193	\$ 100,277
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ (9,932)	\$ 457	\$ 4,859	\$ (4,616)
<u>FUND BALANCE - March 1, 2003</u>	<u>250</u>	<u>68,335</u>	<u>14,699</u>	<u>84,783</u>	<u>168,067</u>
<u>FUND BALANCE - February 29, 2004</u>	<u>\$ 250</u>	<u>\$ 58,403</u>	<u>\$ 15,156</u>	<u>\$ 89,642</u>	<u>\$ 163,451</u>

COMBINING BALANCE SHEET - ENTERPRISE FUND TYPES
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
February 29, 2004

	<u>SEWER</u>	<u>WATER</u>	<u>DISPOSAL</u>	<u>TOTAL</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 81,993	\$ 27,053	\$ 4,219	\$ 113,265
Investments		88,283		88,283
Receivables-Net of Uncollectibles	9,796	12,237	4,911	26,944
Due from Other Funds		46,118	3,153	49,271
Inventory		1,000		1,000
Total Current Assets	<u>\$ 91,789</u>	<u>\$ 174,691</u>	<u>\$ 12,283</u>	<u>\$ 278,763</u>
<u>RESTRICTED ASSETS</u>				
Treasury Bill-Water Improvement	\$ -0-	\$ 10,000	\$ -0-	\$ 10,000
Cash-Water Bond and Interest		5,300		5,300
Treasury Bill-Water Bond and Interest		79,876		79,876
Treasury Bill-Water Bond Reserve		69,000		69,000
Treasury Bill-Water Repairs		10,000		10,000
Total Restricted Assets	<u>\$ -0-</u>	<u>\$ 174,176</u>	<u>\$ -0-</u>	<u>\$ 174,176</u>
<u>PROPERTY AND EQUIPMENT</u>				
Land and Improvements	\$ 72,919	\$ -0-	\$ -0-	\$ 72,919
Building and Improvements	51,963	17,453		69,416
Other Improvements	1,596,215	898,499		2,494,714
Equipment	15,005	54,106		69,111
	<u>\$ 1,736,102</u>	<u>\$ 970,058</u>	<u>\$ -0-</u>	<u>\$ 2,706,160</u>
Less: Accumulated Depreciation	886,445	414,378		1,300,823
Net Property and Equipment	<u>\$ 849,657</u>	<u>\$ 555,680</u>	<u>\$ -0-</u>	<u>\$ 1,405,337</u>
Total Assets	<u>\$ 941,446</u>	<u>\$ 904,547</u>	<u>\$ 12,283</u>	<u>\$ 1,858,276</u>
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ -0-	\$ 35,467	\$ 2,202	\$ 37,669
Due to Other Funds	57,176		136	57,312
Maturing Bonds		26,000		26,000
Total Current Liabilities	<u>\$ 57,176</u>	<u>\$ 61,467</u>	<u>\$ 2,338</u>	<u>\$ 120,981</u>
<u>LONG-TERM LIABILITIES</u>				
Bonds Payable - Noncurrent	-0-	548,000	-0-	548,000
Total Liabilities	<u>\$ 57,176</u>	<u>\$ 609,467</u>	<u>\$ 2,338</u>	<u>\$ 668,981</u>
<u>FUND EQUITY</u>				
<u>CONTRIBUTED CAPITAL</u>				
Federal	\$ 233,520	\$ -0-	\$ -0-	\$ 233,520
State	326,535			326,535
Municipality	59,921			59,921
General Fund		2,700		2,700
Equipment Fund		22,350	4,300	26,650
Sewer Fund		3,000		3,000
Total Contributed Capital	<u>\$ 619,976</u>	<u>\$ 28,050</u>	<u>\$ 4,300</u>	<u>\$ 652,326</u>
<u>RETAINED EARNINGS</u>				
Reserve for Bond Indenture	\$ -0-	\$ 174,176	\$ -0-	\$ 174,176
Reserve for Inventory		1,000		1,000
Unreserved	264,294	91,854	5,645	361,793
Total Retained Earnings	<u>\$ 264,294</u>	<u>\$ 267,030</u>	<u>\$ 5,645</u>	<u>\$ 536,969</u>
Total Fund Equity	<u>\$ 884,270</u>	<u>\$ 295,080</u>	<u>\$ 9,945</u>	<u>\$ 1,189,295</u>
Total Liabilities and Fund Equity	<u>\$ 941,446</u>	<u>\$ 904,547</u>	<u>\$ 12,283</u>	<u>\$ 1,858,276</u>

See Auditor's Report and Notes to the Financial Statements.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
RETAINED EARNINGS - ENTERPRISE FUND TYPES**
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
Year Ended February 29, 2004

	<u>SEWER</u>	<u>WATER</u>	<u>DISPOSAL</u>	<u>TOTAL</u>
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 103,296	\$ 130,131	\$ 43,698	\$ 277,125
Total Operating Revenues	\$ 103,296	\$ 130,131	\$ 43,698	\$ 277,125
<u>OPERATING EXPENSES</u>				
Wages and Related Expenses	\$ 37,198	\$ 49,648	\$ 14,778	\$ 101,624
Repairs and Maintenance	1,215	30,740	1,275	33,230
Depreciation	30,774	20,552		51,326
Utilities	4,691	4,691		9,382
Equipment Rental	4,587	5,190	10,190	19,967
Contractual Services	7,210	3,975	24,739	35,924
Supplies and Miscellaneous	5,348	9,754	2,517	17,619
Total Operating Expenses	\$ 91,023	\$ 124,550	\$ 53,499	\$ 269,072
Operating Income (Loss)	\$ 12,273	\$ 5,581	\$ (9,801)	\$ 8,053
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest and Penalties	\$ 2,289	\$ 10,492	\$ 2,386	\$ 15,167
Interest Expense		(38,870)		(38,870)
Total Nonoperating Revenues (Expenses)	\$ 2,289	\$ (28,378)	\$ 2,386	\$ (23,703)
Net Income (Loss)	\$ 14,562	\$ (22,797)	\$ (7,415)	\$ (15,650)
<u>RETAINED EARNINGS</u> - March 1, 2003	<u>249,732</u>	<u>289,827</u>	<u>13,060</u>	<u>552,619</u>
<u>RETAINED EARNINGS</u> - February 29, 2004	<u>\$ 264,294</u>	<u>\$ 267,030</u>	<u>\$ 5,645</u>	<u>\$ 536,969</u>

See Auditor's Report and Notes to the Financial Statements.

COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUND TYPES
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
Year Ended February 29, 2004

	<u>SEWER</u>	<u>WATER</u>	<u>DISPOSAL</u>	<u>TOTAL</u>
<u>NET CASH FLOW FROM OPERATING ACTIVITIES</u>				
Net Operating Income (Loss)	\$ 12,273	\$ 5,581	\$ (9,801)	\$ 8,053
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Depreciation	30,774	20,552		51,326
Decrease (Increase) in Accounts Receivable	(1,348)	(1,320)	(20)	(2,688)
Decrease (Increase) in Restricted Assets		(3,162)		(3,162)
Increase (Decrease) in Accrued Expenses	<u>-0-</u>	<u>35,467</u>	<u>2,202</u>	<u>37,669</u>
Net Cash Flows from Operating Activities	<u>\$ 41,699</u>	<u>\$ 57,118</u>	<u>\$ (7,619)</u>	<u>\$ 91,198</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of Capital Assets	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Interest Expense		(38,870)		(38,870)
Retirement of Bond Principal	<u> </u>	<u>(24,000)</u>	<u> </u>	<u>(24,000)</u>
Net Cash from Financing Activities	<u>\$ -0-</u>	<u>\$ (62,870)</u>	<u>\$ -0-</u>	<u>\$ (62,870)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Increase in Investments	\$ -0-	\$ (4,631)	\$ -0-	\$ (4,631)
Investment Income	<u>2,289</u>	<u>10,492</u>	<u>2,386</u>	<u>15,167</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 2,289</u>	<u>\$ 5,861</u>	<u>\$ 2,386</u>	<u>\$ 10,536</u>
Increase (Decrease) in Cash and Cash Equivalents	\$ 43,988	\$ 109	\$ (5,233)	\$ 38,864
<u>CASH AND CASH EQUIVALENTS - March 1, 2003</u>	<u>38,005</u>	<u>26,944</u>	<u>9,452</u>	<u>74,401</u>
<u>CASH AND CASH EQUIVALENTS - February 29, 2004</u>	<u><u>\$ 81,993</u></u>	<u><u>\$ 27,053</u></u>	<u><u>\$ 4,219</u></u>	<u><u>\$ 113,265</u></u>

See Auditor's Report and Notes to the Financial Statements.

COMBINING BALANCE SHEET - FIDUCIARY FUND TYPES
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
February 29, 2004

	<u>TRUST AND AGENCY</u>	<u>CEMETERY TRUST</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 8,332	\$ 511	\$ 8,843
Investments	<u> </u>	<u>11,756</u>	<u>11,756</u>
Total Assets	<u>\$ 8,332</u>	<u>\$ 12,267</u>	<u>\$ 20,599</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$ 8,332	\$ 396	\$ 8,728
Total Liabilities	<u>\$ 8,332</u>	<u>\$ 396</u>	<u>\$ 8,728</u>
<u>FUND EQUITY</u>			
Fund Balance:			
Unreserved/Undesignated	\$ -0-	\$ 40	\$ 40
Reserved	<u> </u>	<u>11,831</u>	<u>11,831</u>
Total Fund Equity	<u>\$ -0-</u>	<u>\$ 11,871</u>	<u>\$ 11,871</u>
Total Liabilities and Fund Equity	<u>\$ 8,332</u>	<u>\$ 12,267</u>	<u>\$ 20,599</u>

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-
TRUST AND AGENCY FUND
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
Year Ended February 29, 2004

	<u>BALANCE</u> <u>3/01/03</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>2/29/04</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 7,914	\$ 154,689	\$ 154,271	\$ 8,332
Total Assets	<u>\$ 7,914</u>	<u>\$ 154,689</u>	<u>\$ 154,271</u>	<u>\$ 8,332</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$ 7,914	\$ 418	\$ -0-	\$ 8,332
Due to Payroll and Withholdings		<u>154,271</u>	<u>154,271</u>	
Total Liabilities	<u>\$ 7,914</u>	<u>\$ 154,689</u>	<u>\$ 154,271</u>	<u>\$ 8,332</u>

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
MAJOR STREET FUND
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
Year Ended February 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
State Shared Revenue	\$ 50,000	\$ 51,139	\$ 1,139
Interest Income	500	399	(101)
Other Income	<u>500</u>	<u> </u>	<u>(500)</u>
Total Revenues	<u>\$ 51,000</u>	<u>\$ 51,538</u>	<u>\$ 538</u>
<u>EXPENDITURES</u>			
Construction	\$ 6,000	\$ 29,981	\$ (23,981)
Routine Maintenance	11,600	7,134	4,466
Traffic Services	2,700	1,867	833
Winter Maintenance	26,400	20,994	5,406
Administrative	<u>4,300</u>	<u>1,494</u>	<u>2,806</u>
Total Expenditures	<u>\$ 51,000</u>	<u>\$ 61,470</u>	<u>\$ (10,470)</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ (9,932)	\$ (9,932)
<u>OTHER FINANCING SOURCES (USED)</u>			
Operating Transfers to Other Funds	\$ -0-	\$ -0-	\$ -0-
Total Other Financing Sources (Used)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-0-	(9,932)	(9,932)
<u>FUND BALANCE - March 1, 2003</u>	<u>68,335</u>	<u>68,335</u>	<u>-0-</u>
<u>FUND BALANCE - February 29, 2004</u>	<u>\$ 68,335</u>	<u>\$ 58,403</u>	<u>\$ (9,932)</u>

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
LOCAL STREET FUND
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
Year Ended February 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
State Shared Revenue	\$ 15,000	\$ 16,940	\$ 1,940
Interest Income	200	131	(69)
Other Revenues			
Total Revenues	<u>\$ 15,200</u>	<u>\$ 17,071</u>	<u>\$ 1,871</u>
<u>EXPENDITURES</u>			
Construction	\$ 500	\$ -0-	\$ 500
Routine Maintenance	6,800	3,126	3,674
Traffic Services	500	86	414
Winter Maintenance	6,800	13,115	(6,315)
Administrative	<u>600</u>	<u>287</u>	<u>313</u>
Total Expenditures	<u>\$ 15,200</u>	<u>\$ 16,614</u>	<u>\$ (1,414)</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ 457	\$ 457
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers from Other Funds	\$ -0-	\$ -0-	\$ -0-
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -0-</u>	<u>\$ 457</u>	<u>\$ 457</u>
<u>FUND BALANCE - March 1, 2003</u>	<u>14,699</u>	<u>14,699</u>	<u>-0-</u>
<u>FUND BALANCE - February 29, 2004</u>	<u>\$ 14,699</u>	<u>\$ 15,156</u>	<u>\$ 457</u>

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
MUNICIPAL STREET REPAIR FUND
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
Year Ended February 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
Taxes	\$ 32,000	\$ 26,619	\$ (5,381)
Interest Income	<u>600</u>	<u>433</u>	<u>(167)</u>
Total Revenues	\$ <u>32,600</u>	\$ <u>27,052</u>	\$ <u>(5,548)</u>
<u>EXPENDITURES</u>			
Current:			
Highways and Streets	\$ -0-	\$ -0-	\$ -0-
Administrative	1,050	856	194
Debt Service:			
Principal	25,000	15,000	10,000
Interest	<u>6,550</u>	<u>6,337</u>	<u>213</u>
Total Expenditures	\$ <u>32,600</u>	\$ <u>22,193</u>	\$ <u>10,407</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ 4,859	\$ 4,859
<u>FUND BALANCE - March 1, 2003</u>	\$ <u>84,783</u>	\$ <u>84,783</u>	\$ <u>-0-</u>
<u>FUND BALANCE - February 29, 2004</u>	\$ <u>84,783</u>	\$ <u>89,642</u>	\$ <u>4,859</u>

See Auditor's Report and Notes to the Financial Statements.

COMPARATIVE BALANCE SHEET - WATER FUND
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
February 29, 2004 and February 28, 2003

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 27,053	\$ 26,944
Investments	88,283	83,652
Accounts Receivable-Net of Uncollectibles	12,237	10,917
Inventory	1,000	1,000
Due from Other Funds	46,118	46,118
Total Current Assets	<u>\$ 174,691</u>	<u>\$ 168,631</u>
<u>RESTRICTED ASSETS</u>		
Treasury Bill - Water Improvement	\$ 10,000	\$ 10,000
Cash - Water Bond and Interest	5,300	5,264
Treasury Bill - Water Bond and Interest	79,876	76,751
Treasury Bill - Water Bond Reserve	69,000	69,000
Treasury Bill - Water Repairs	10,000	10,000
Total Restricted Assets	<u>\$ 174,176</u>	<u>\$ 171,015</u>
<u>PROPERTY AND EQUIPMENT</u>		
Building and Improvements	\$ 17,453	\$ 17,453
Improvements Other Than Buildings	898,499	898,499
Equipment	54,106	54,106
	<u>\$ 970,058</u>	<u>\$ 970,058</u>
Less: Accumulated Depreciation	414,378	393,827
Net Property and Equipment	<u>\$ 555,680</u>	<u>\$ 576,231</u>
Total Assets	<u>\$ 904,547</u>	<u>\$ 915,877</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 35,467	\$ -0-
Maturing Bonds	26,000	24,000
Total Current Liabilities	<u>\$ 61,467</u>	<u>\$ 24,000</u>
<u>LONG-TERM LIABILITIES</u>		
Bonds Payable - Noncurrent	<u>548,000</u>	<u>574,000</u>
Total Liabilities	<u>\$ 609,467</u>	<u>\$ 598,000</u>
<u>FUND EQUITY</u>		
<u>CONTRIBUTED CAPITAL</u>		
General Fund	\$ 2,700	\$ 2,700
Equipment Fund	22,350	22,350
Sewer Fund	3,000	3,000
Total Contributed Capital	<u>\$ 28,050</u>	<u>\$ 28,050</u>
<u>RETAINED EARNINGS</u>		
Reserve for Bond Indenture	\$ 174,176	\$ 171,015
Reserve for Inventory	1,000	1,000
Unreserved/Undesignated	91,854	117,812
Total Retained Earnings	<u>\$ 267,030</u>	<u>\$ 289,827</u>
Total Fund Equity	<u>\$ 295,080</u>	<u>\$ 317,877</u>
Total Liabilities and Fund Equity	<u>\$ 904,547</u>	<u>\$ 915,877</u>

See Auditor's Report and Notes to the Financial Statements.

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
RETAINED EARNINGS - WATER FUND
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
Years Ended February 29, 2004 and February 28, 2003

	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>		
Charges for Services	\$ 130,131	\$ 130,942
Total Revenues	\$ 130,131	\$ 130,942
<u>OPERATING EXPENSES</u>		
Wages and Related Expenses	\$ 49,648	\$ 43,120
Utilities	4,691	4,153
Repairs and Maintenance	30,740	5,100
Equipment Rental	5,190	5,393
Contractual Services	3,975	3,907
Depreciation	20,552	20,552
Supplies and Miscellaneous	9,754	7,179
Total Operating Expenses	\$ 124,550	\$ 89,404
Operating Income (Loss)	\$ 5,581	\$ 41,538
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and Penalties	\$ 10,492	\$ 23,999
Interest Expense	(38,870)	(40,300)
Total Nonoperating Revenues (Expenses)	\$ (28,378)	\$ (16,301)
Net Income (Loss)	\$ (22,797)	\$ 25,237
<u>RETAINED EARNINGS</u> - March 1	289,827	264,590
<u>RETAINED EARNINGS</u> - February 29	\$ 267,030	\$ 289,827

See Auditor's Report and Notes to the Financial Statements.

COMPARATIVE STATEMENT OF CASH FLOWS - WATER FUND
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
Years Ended February 29, 2004 and February 28, 2003

	<u>2004</u>	<u>2003</u>
<u>NET CASH FLOW FROM OPERATING ACTIVITIES</u>		
Net Operating Income (Loss)	\$ 5,581	\$ 41,538
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	20,552	20,552
Decrease (Increase) in Due from Other Funds		(27,671)
Decrease (Increase) in Accounts Receivable	(1,320)	1,087
Decrease (Increase) in Restricted Assets	(3,162)	(15,630)
Increase (Decrease) in Accounts Payable	35,467	
Increase (Decrease) in Accrued Expenses		(740)
Net Cash Flows from Operating Activities	<u>\$ 57,118</u>	<u>\$ 19,136</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Interest Expense	\$ (38,870)	\$ (40,300)
Retirement of Bond Principal	<u>(24,000)</u>	<u>(22,000)</u>
Net Cash Used by Capital and Related Financing Activities	<u>\$ (62,870)</u>	<u>\$ (62,300)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
(Increase) Decrease in Investments	\$ (4,631)	\$ 21,836
Investment Income	<u>10,492</u>	<u>23,999</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 5,861</u>	<u>\$ 45,835</u>
Increase (Decrease) in Cash and Cash Equivalents	\$ 109	\$ 2,671
<u>CASH AND CASH EQUIVALENTS - March 1</u>	<u>26,944</u>	<u>24,273</u>
<u>CASH AND CASH EQUIVALENTS - February 29</u>	<u>\$ 27,053</u>	<u>\$ 26,944</u>

See Auditor's Report and Notes to the Financial Statements.

SCHEDULE OF GENERAL GOVERNMENT EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
Year Ended February 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>GENERAL GOVERNMENT EXPENDITURES</u>			
President	\$ 1,350	\$ 1,077	\$ 273
Elections	950	847	103
Assessor	300		300
Legal and Audit	4,100	2,266	1,834
Clerk	23,750	23,572	178
Treasurer	14,700	13,541	1,159
Village Hall	7,800	6,158	1,642
Communications	1,500	2,702	(1,202)
Zoning	<u>1,450</u>	<u>976</u>	<u>474</u>
Total Expenditures	<u>\$ 55,900</u>	<u>\$ 51,139</u>	<u>\$ 4,761</u>

See Auditor's Report and Notes to the Financial Statements.

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
DISCRETELY PRESENTED COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
VILLAGE OF COLUMBIAVILLE - LAPEER COUNTY, MICHIGAN
Year Ended February 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Taxes	\$ 86,287	\$ 99,915	\$ 13,628
Interest Income	2,000	1,129	(871)
Event Income		27,456	27,456
Public Contributions	<u>2,000</u>	<u>2,000</u>	<u>-0-</u>
Total Revenues	<u>\$ 90,287</u>	<u>\$ 130,500</u>	<u>\$ 40,213</u>
<u>EXPENDITURES</u>			
Administrative	\$ 3,700	\$ 3,697	\$ 3
Parks and Recreation	32,000	24,366	7,634
Promotional and Other	96,000	8,770	87,230
Public Works	<u>54,831</u>	<u>46,047</u>	<u>8,784</u>
Total Expenditures	<u>\$ 186,531</u>	<u>\$ 82,880</u>	<u>\$ 103,651</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (96,244)</u>	<u>\$ 47,620</u>	<u>\$ 143,864</u>
<u>FUND BALANCE</u> - March 1, 2003	<u>193,706</u>	<u>193,706</u>	<u>-0-</u>
<u>FUND BALANCE</u> - February 29, 2004	<u>\$ 97,462</u>	<u>\$ 241,326</u>	<u>\$ 143,864</u>

See Auditor's Report and Notes to the Financial Statements.



ROBSON AND McCALLUM

Certified Public Accountants

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**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

Village Council
Village of Columbiaville
Columbiaville, Michigan

We have audited the component unit financial statements of Village of Columbiaville as of and for the year ended February 29, 2004, and have issued our report thereon dated August 25, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village of Columbiaville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Village of Columbiaville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A *material weakness* is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities.


Robson and McCallum
August 25, 2004



ROBSON AND McCALLUM

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August 25, 2004

Village Council
Village of Columbiaville
4605 Pine Street
Columbiaville, MI 48421

Dear Council Members,

We have examined the accounts and records of the Village of Columbiaville for the year ended February 29, 2004, and have reported our findings under separate cover. In connection with our audit of your records, our findings are as follows:

1. As listed in our notes to the financial statements, certain budgeted activities had expenditures in excess of budgeted amounts which is in violation of Public Act 2 of 1968, as amended.

We recommend prior to Board authorization of excess expenditures, the budget be amended to allow for the expenditures.

2. Certain checking accounts were not being reconciled at month end.

We recommend that the treasurer reconcile all accounts and compare balances with the clerk each month.

3. The prior year's recommendations have been incorporated in this letter.

We would like to take this opportunity to thank the Village Council, and especially the Clerk and Treasurer, for their responsiveness to our recommendations.

If you have any questions, please contact our office.

Robson and McCallum